

Message Text

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QUOTE: C O N F I D E N T I A L LISBON 9132

EXDIS

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SUBJECT: MARIO SOARES CONTEMPLATES NEXT MOVES

SUMMARY: SOARES' POLITICAL STRATEGY HINGES ON CONVINCING THE
OTHER PARTIES HE IS PREPARED TO GIVE UP POWER AND TO FORCE
THEM TO CONTEMPLATE THE ALTERNATIVES. THUS, HE INTENDS TO
PROCEED WITH CONFIDENCE MOTION. IF HE LOSES, HE WILL URGE
THE PRESIDENT TO ASK SA CARNEIRO TO FORM A GOVERNMENT. THIS
WILL PROVE IMPOSSIBLE BUT THE PROCESS WILL BE HEALTHY FOR
THE COUNTRY. THE PRESIDENT WILL THEN HAVE TO NAME A GOVERN-
MENT OF "INDEPENDENTS." THE SOCIALISTS WOULD BE WILLING TO
PARTICIPATE AS "INDEPENDENTS" BUT WILL CONTINUE TO REJECT A
COALITION. IN THE EVENT A CONFIDENCE MOTION PASSES WITH
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ONLY PCP SUPPORT SOARES PLANS TO WORK OUT AN ARRANGEMENT
WITH EANES WHEREBY HE WOULD RESIGN AND BE NAMED TO FORM A SECOND
CONSTITUTIONAL GOVERNMENT. FACED WITH THE THREAT OF
ECONOMIC CATASTROPHE AND A GOVERNMENT DEPENDENT UPON THE
PCP, HE THINKS CDS LEADER FREITAS DO AMARAL WILL BE ABLE TO
CONVINCE HIS FOLLOWERS TO SUPPORT A SECOND SOARES GOVERNMENT.
SOARES'S STRATEGY IS HIGH RISK, BUT VIRTUALLY THE ONLY ONE

AVAILABLE TO HIM AT THE MOMENT. ASSUMING HE GETS A SECOND CHANCE THERE IS STILL A REAL QUESTION OF WHETHER THE CDS WILL COME AROUND. THUS A GOVERNMENT OF "INDEPENDENTS" AGAIN BECOMES A REAL POSSIBILITY. END SUMMARY.

1. SOARES INVITED ME TO LUNCH NOVEMBER 28 TO REVIEW HIS NEXT TACTICAL MOVES. SAID HE PLANS TO DISCUSS THEM WITH PRESIDENT EANES NOVEMBER 29.

2. THE PARTIES' RESPONSES: TYPICALLY, SOARES SOUGHT TO SINGLE OUT THE POSITIVE ASPECTS OF THE PARTIES' RESPONSES TO HIS PROPOSED AGREEMENT. A COMMON THEME WHICH HE FOUND ENCOURAGING WAS THE RECOGNITION THAT THE COUNTRY HAD TO DEAL WITH THE IMF. THE PCP REPLY HAD BEEN CUNNING. BY ACCEPTING VIRTUALLY ALL THE GOVERNMENT'S POINTS, CUNHAL WAS POSITIONING HIMSELF TO SUPPORT A POPULAR FRONT. THE CDS REPLY HAD ALSO BEEN WELL DONE. THE CDS INSISTED ON A THREE-PARTY GOVERNMENT EXCLUDING THE COMMUNISTS BUT LEFT THE WAY OPEN FOR A PS UNDERSTANDING WITH THE "SOCIAL FORCES" ALLIED WITH THE PCP. THE PSD RESPONSE WAS TOTALLY NEGATIVE AND REPRESENTED MORE A PARTISAN PLATFORM--AND A POOR ONE AT THAT--THAN AN EFFORT TO DIALOGUE.

3. MOTION OF CONFIDENCE: BASED ON HIS READING OF THE RESPONSES SOARES THOUGHT HE COULD MAKE A REASONABLE CASE FOR DELAYING A VOTE OF CONFIDENCE WHILE NEGOTIATIONS
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CONTINUED FOR ANOTHER TEN DAYS OR SO. BUT HE WILL NOT DO SO. HIS ENTIRE STRATEGY WAS BASED UPON FORCING THE OTHER PARTIES TO COME TO GRIPS WITH REALITY, PARTICULARLY THE DISASTROUS FOREIGN EXCHANGE SITUATION FACING THE COUNTRY IN DECEMBER (LISBON 9105). THE OTHER POLITICAL PARTIES HAD TO BE CONVINCED THAT THE SOCIALISTS WERE REALLY PREPARED TO GIVE UP POWER. HENCE HE INTENDED TO PROCEED WITH A MOTION OF CONFIDENCE. THIS MOTION WOULD CONTAIN THREE POINTS:
(A) ACCEPTANCE OF A MINORITY GOVERNMENT WHICH INCLUDES INDEPENDENTS AND HAS RECEIVED MAJORITY SUPPORT IN THE ASSEMBLY. (AN ANALYSIS OF THE RESPONSES INDICATES THE PCP WOULD SUPPORT THIS POINT, AND EVEN THE CDS MIGHT GO ALONG).
(B) ACCEPTANCE OF THE BUDGET AS PRESENTED, I.E. A DRASTIC REDUCTION OF THE DEFICIT IN REAL TERMS AND A POLICY OF REAL AUSTERITY. (THE PCP RESPONSE SEEMS TO INDICATE IT WOULD SUPPORT THIS POINT. SO WOULD THE CDS. THE PSD WOULD NOT, ABSENT A PRIOR POLITICAL AGREEMENT.)
(C) ACCEPTANCE OF NEGOTIATIONS WITH THE IMF AND FOREIGN LOANS. THIS CARRIES WITH IT A WILLINGNESS TO REDUCE THE BALANCE OF PAYMENTS DEFICIT BY ONE THIRD NEXT YEAR. (HERE THE CDS RESPONSE WOULD INDICATE SUPPORT, THE PCP MIGHT GO ALONG, AND THE PSD WOULD OPPOSE.)

4. POSSIBLE OUTCOME--DEFEAT: IF THE GOVERNMENT IS DEFEATED ON A MOTION OF CONFIDENCE SOARES THOUGHT THE PRESIDENT WOULD HAVE TO ASK SA CARNEIRO TO FORM A GOVERNMENT. I SAID THE PRESIDENT WAS UNLIKELY TO WANT TO, BUT SOARES INSISTED HE SHOULD. THE PROCESS WOULD BE HEALTHY FOR THE COUNTRY. IT WOULD QUICKLY BECOME CLEAR THAT SA CARNEIRO COULD NOT FORM A GOVERNMENT. THE ONLY ALTERNATIVE WOULD BE "A PRESIDENTIAL GOVERNMENT" FORMED OF "INDEPENDENTS." SOARES COULD NOT LEAD SUCH A GOVERNMENT, BUT THE SOCIALISTS COULD PARTICIPATE DESPITE WEEKEND STATEMENTS OF CERTAIN PARTY MEMBERS TO THE CONTRARY. THE BIGGEST PROBLEM WOULD BE TO FIND AN "INDEPENDENT" TO LEAD IT. FIRMINO MIGUEL HAS SENSIBLY DISQUALIFIED HIMSELF ON THE GROUNDS THAT A MILITARY PRIME
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MINISTER WOULD BE UNWISE. THERE WERE FEW OTHER INDEPENDENTS WILLING OR ABLE TO TAKE THE JOB. BUT NONE OF THE PARTIES WISHED TO HAVE ELECTIONS SO SOME SOLUTION INVOLVING "INDEPENDENTS" WOULD PROBABLY BE FOUND.

5. POSSIBLE OUTCOME--PARTIAL PS VICTORY: THE OTHER POSSIBILITY, SOARES SAID, WAS THAT THE PS WOULD WIN A MOTION OF CONFIDENCE WITH PCP SUPPORT. A VARIANT WOULD BE A NEGATIVE PSD VOTE AND ABSTENTIONS FROM THE PCP AND CDS. IN EITHER EVENT SOARES WOULD SEEK A PRIOR AGREEMENT WITH THE PRESIDENT THAT HE WOULD RESIGN; THE PRESIDENT WOULD THEN NAME HIM TO FORM A SECOND CONSTITUTIONAL GOVERNMENT. GIVEN THE GRAVE FINANCIAL SITUATION FACING THE COUNTRY AND GIVEN THE GRAPHIC DEMONSTRATION THAT PORTUGAL COULD END UP WITH A GOVERNMENT DEPENDENT UPON COMMUNIST SUPPORT, SOARES THOUGHT CDS LEADER FREITAS DO AMARAL MIGHT BE ABLE TO INDUCE HIS COLLEAGUES TO SUPPORT A SECOND SOARES GOVERNMENT. SOARES INDICATED THAT HIS CONVERSATIONS WITH FREITAS DO AMARAL HAD BEEN VERY POSITIVE, AND THAT THE LATTER HAD OFFERED TO BE OF ANY HELP HE COULD. THE PROBLEM WAS THAT FREITAS DO AMARAL WAS "TERRORIZED" BY THE REAL POSSIBILITY THAT SA CARNEIRO WOULD UNDERCUT HIS SUPPORT.

6. US POSITION: SOARES MADE NO REQUEST OF US, BUT DID ASK HOW WASHINGTON WAS REACTING TO CURRENT EVENTS. I SAID WE WERE NATURALLY CONCERNED BUT WERE CONFIDENT THAT THE COUNTRY WOULD FIND A DEMOCRATIC SOLUTION TO ITS PROBLEMS. I NOTED THAT SUCH A SOLUTION HAD TO BE FOUND RAPIDLY SINCE BOTH THE CHRISTMAS HOLIDAYS AND THE FOREIGN EXCHANGE CRUNCH WOULD BE UPON US SHORTLY. SOARES FELT CERTAIN THE SITUATION WOULD BE CLARIFIED ONE WAY OR ANOTHER BY MID-DECEMBER.

7. COMMENT: SOARES, NEVER ONE TO GIVE UP EASILY, IS MAKING A VIRTUE OF NECESSITY. WHILE PREPARED PHILOSOPHICALLY
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TO ACCEPT DEFEAT, HE STILL CAN'T CONTEMPLATE IT AS A REAL
POSSIBILITY. OPTION ONE APPEARS TO BE A STRAW MAN. THE PCP
IS LIKELY TO SUPPORT SOARES AND THE PRESIDENT IS MOST UN-
LIKELY TO NAME SA CARNEIRO TO FORM A GOVERNMENT. IF
SOARES' MOTION PASSES WITH PCP SUPPORT--THE MOST LIKELY
SCENARIO IN OUR JUDGMENT--AND HE CONVINCES THE PRESIDENT
TO TRY THE SECOND SOARES GOVERNMENT STRATEGY, IT REMAINS QUESTIONABLE
WHETHER THE CDS CAN BE BROUGHT AROUND DESPITE THE
STATESMANLIKE QUALITIES OF ITS LEADER. THE COUNTRY WILL
THEN MOVE QUICKLY TO A PRESIDENTIAL GOVERNMENT OF
"INDEPENDENTS" (I.E., PARTY PEOPLE ACTING AS INDIVIDUALS).
WE STILL CONSIDER THIS THE MOST LIKELY OUTCOME, ALTHOUGH
SOARES CLEARLY DOES NOT, AND EANES HIMSELF HOPES TO AVOID A
PRESIDENTIAL GOVERNMENT IF HE CAN. CARLUCCI
UNQUOTE VANCE

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